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AICPA *Washington Report*

April 6, 1979, Volume VIII, Issue 6

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COMMODITY FUTURES TRADING COMMISSION

The Senate Agriculture Committee has approved the nomination of James M. Stone as chairman of the CFTC. Although Stone, a former Massachusetts insurance commissioner, was approved with only two dissenting votes, Committee Chairman Herman Talmadge (D-Ga) indicated the nomination will not go to the full Senate for final approval until the committee has confirmed the reappointment of CFTC member Read P. Dunn, Jr. Sen. Jesse Helms (R-NC) said he and others on the committee may try to hold Stone's nomination hostage until the White House reappoints acting CFTC Chairman Gary Seavers. Committee members said the expertise of Seavers and Dunn will balance the inexperience of Stone.

ENERGY, DEPARTMENT OF

Final regulations on energy measures and audits for grant programs for schools, hospitals and buildings owned by local government and public care institutions were published in the 4/2/79 Fed. Reg., pp. 19340-60. These rules contain provisions setting forth the qualifications for auditors and audit reports. For more information on the regulations, which became effective on 4/2/79, contact Michael Willingham at 202/376-4149 or Lewis W. Shollenberger, Jr. at 202/376-9472.

FEDERAL DEPOSIT INSURANCE CORPORATION

A new "coordinated program to edit and process major banking reports as a means of improving regulatory efficiency" was recently announced by the Corporation in conjunction with the Office of the Comptroller of the Currency. Under the program, the FDIC will receive and process Reports of Income, Reports of Condition, and the Trust Asset Survey Reports from national banks supervised by the Comptroller, while continuing to receive, edit and process equivalent reports from the institutions it supervises. FDIC will handle the preparation of information to be used by both agencies. The Comptroller will still be responsible for mailing March Call Report forms to all national banks, but subsequent forms will be issued by the FDIC. As a result of this change in procedure, the Comptroller will no longer handle the disclosure of national bank Call Report data; after 3/30/79, all such data requests should be referred to the Data Request and Survey Section of the FDIC.

FEDERAL HOME LOAN BANK BOARD

Final rules on conversions of FSLIC-insured institutions from mutual stock form of ownership provide for sale of conversion stock by means of a subscription offering to eligible account holders, other association members, and officers, directors and employees, appeared in the 3/29/79 Fed. Reg., pp. 18880-904. This amendment will continue to provide for the sale of conversion stock by means of a subscription offering but would generally increase the rights of eligible account holders and other association members and limit purchases by officers and directors. Among the procedural requirements are the presentation of financial statements and the recorded consent of experts that are consulted such as accountants or attorneys. For further information call Douglas Faucette at 202/377-6410.

GENERAL ACCOUNTING OFFICE

Supplemental audit standards to provide guidance for audits of computer-based systems have been published by the GAO. The new standards were developed in response to a growing concern that the audit coverage accorded computer-based systems is not of a high enough quality to assure proper results. The new guidelines are necessary

to assist auditors in the performance of "a wide variety of tasks which, until recently, did not exist or were not considered within the auditor's scope" but which have become routine with the rapid increase in use and complexity of computer systems. These standards, which become effective 1/1/80, are supplemental to the basic standards contained in the "Yellow Book" and will be incorporated in the next revision of that publication. Copies of the supplement, "Auditing Computer-Based Systems", are available from the GPO for \$1.10 each (S/N 020-000-00174-7).

GENERAL SERVICES ADMINISTRATION

"Codification of Presidential Proclamations and Executive Orders" covering the period 1/20/61 through 1/20/77, has been published. Arranged by subject and including a comprehensive index, the volume contains the full text -- updated to incorporate any amendments -- of executive orders and proclamations issued during the above period. Future updates to the volume are being planned, although specific publication dates have not been established. The 790-page volume, published by the Office of the Federal Register of the GSA's National Archives and Records Service, is available for \$6.50 per copy by calling the GPO.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

President Carter is holding a series of briefing sessions on hospital cost containment with representatives of business, industry and labor -- apparently establishing his own "grassroots lobby" for passage of the controversial legislation. The President recently told such a group of private sector representatives that he wants them to "actively, personally and substantively" work toward enactment of S.570 and HR 2626, his legislative proposal for hospital cost increase limits of 9.7 percent with standby mandatory controls on inpatient revenues to take effect, if necessary, in 1980. Carter claims to have received "extraordinarily broad support for this legislation", but Congress is generally unenthusiastic and working slowly on preparing the measure for floor consideration. However, hearings were held in both houses on the various hospital cost control proposals, and markup sessions on the President's proposal have been held by the two Senate committees with jurisdiction over the legislation.

JUSTICE, DEPARTMENT OF

The "top priority" status of the fight against white collar crime is belied by the low funding awarded combatants according to a recent study by the General Accounting Office. GAO reports that in fiscal 1977 and 1978, the Department spent only 5.1 percent of its total resources of more than \$4.5 billion in fighting white collar crime, which is estimated to cost the public \$200 billion annually. The study, "Resources Devoted by the Department of Justice to Combat White Collar Crime and Public Corruption", was performed at the request of Rep. John Conyers, Jr. (D-Mich), chairman of the House Judiciary Subcommittee on Crime. Copies of the report are available from the GAO (S/N GGD-79-35).

LABOR, DEPARTMENT OF

A regulation adopting the summary annual report (SAR) to be furnished to participants and beneficiaries of employee benefit plans has been issued (see 4/3/79 Fed. Reg., pp. 19400-05). The regulation covers the content, style and format requirements of summary annual reports. The regulation is effective as of 6/5/79 and will cover SARs for plan years beginning in 1977. Additional information is available by calling Joseph Roberts III at 202/523-8685.

OFFICE OF MANAGEMENT AND BUDGET

New management controls over government contracting-out activities have been issued in the form of a revised Circular A-76 (see the 4/5/79 Fed. Reg., pp. 80556-91). The new policy is designed to emphasize cost comparisons under a detailed handbook procedure in order to determine whether work should be done by the government or contracted out to the private sector. All contracts will be examined over the next three years and changes will be made if 10 percent savings could be effected. Five-year updates of the Circular have also been provided for to guard against future inefficiencies. Copies of the revision are available by contacting the OMB at 202/395-4660.

Legislation (S.756) to extend the Office of Federal Procurement Policy for five years has been introduced by Sen. Lawton Chiles (D-Fla). Sen. Chiles, who sponsored the law that established the Office five years ago, stated that it should be renewed because it has been "a leader in executive branch procurement policy".

In a related development, OFPP has released another segment of the draft Federal Acquisition Regulation, which is designed to replace the more than 800 sets of regulations now in use (see 4/2/79 Fed. Reg., pp. 19214-15). This segment deals with negotiation, special contracting methods, privacy and freedom of information, and subcontracting policies and procedures. Comments are due by 5/30/79 and more information may be obtained by calling William Maraist or Strat Valakis at 202/395-3300.

TREASURY, DEPARTMENT OF

The Administration's plan for "real wage insurance" suffered an apparently fatal blow on 4/3/78 when the House Budget Committee voted to delete the \$2.5 billion earmarked for the plan from the proposed fiscal 1980 budget. Rep. Robert N. Giaimo (D-Conn), chairman of the budget panel remarked that the committee's action "kills all chances" for the anti-inflation plan, once heralded as a cornerstone of the Administration program. The plan would have insured workers who complied with the wage increase guidelines if consumer prices rose by more than 7 percent. The plan had recently been stalled in the House Ways and Means Committee but Administration officials had expressed hope that it might have gained support in a modified form.

A "windfall profits" tax on oil producers has been proposed by President Carter as part of his second major energy plan which features the phased decontrol of domestic oil prices. Under the proposal, a complex decontrol program would begin on 6/1/79 and extend until 9/30/81 when price controls are due to expire. The expected added revenues generated by decontrol would be subject to a two-part "windfall profits" tax that is expected to raise over \$10 billion between 1980 and 1982. The money would be earmarked to establish an Energy Security Fund which would use the new revenues to aid the poor, finance mass transit, and develop alternative energy projects. The "windfall profits" tax idea, which has been proposed and abandoned on three previous occasions, is expected to remain controversial on Capitol Hill. Rep. Al Ullman (D-Ore), House Ways and Means Chairman, has promised to hold hearings on the proposal "as soon as the committee's schedule permits."

The IRS will be more strict in scrutinizing automatic extension requests for filing individual income tax returns according to a revenue ruling released last week (see Rev. Rule 79-113). In that ruling the taxpayer has estimated zero income tax

liability although there was ample evidence available to the taxpayer that there would be income tax liability. Under these facts, the IRS ruled the taxpayer had filed an "invalid" form for an extension. IRS officials point out that such taxpayers may be subject to a fine if they fail to "fairly" estimate their tax due and pay it with the extension request.

Final regulations on the investment credit for movies and television films have been issued (see the 4/5/79 Fed. Reg., pp. 20416-23). The regulations provide guidance on the types of film or tape that qualify for investment credit under changes made by the Tax Reform Act of 1976. The rules effect all investors in movie and television films and generally are effective for taxable years beginning after 12/31/74. For more information contact Lawrence M. Axelrod at 202/566-3458.

SPECIAL: PRESIDENT PROPOSES PRIVACY PROTECTION PROGRAM

Seeking to "establish a framework of private and government activity to prevent privacy abuses", the Carter Administration has announced a series of proposals to protect the privacy of individuals. In a message submitted to Congress on 4/2/79, President Carter outlined the program which would be based on "fair information practices" and "limits on government access to and use of personal information". Among the highlights of the program are legislation designed to establish privacy safeguards for medical records and Federally-supported research records, a proposal to limit government access to news media files, and support for voluntary policies by business and industry to protect employee privacy. President Carter also announced final guidelines for Federal agencies to increase privacy protection in the use of "matching programs" designed to detect fraud and abuse. Additional legislation is being developed to expand consumer credit and bank record laws to provide fair information protection.

In a related matter, hearings were held last week by the House Government Information and Individual Rights Subcommittee on the issue of privacy of medical records. The legislation proposed by the Carter Administration contains a provision that would allow the disclosure of medical record information for an audit or evaluation purpose. The hearings continue on 4/9 and 4/11/79.

SPECIAL: SMALL BUSINESS IS BIG BUSINESS FOR CONGRESS

Small business legislation continues to be a high-priority item for the 96th Congress. Irrespective of definition, the SBA considers "small business" to have 500 or fewer employees while Congress seems to feel that "small" means firms with \$25 million or less in net worth, the bills continue to be introduced at a rapid pace. Congressmen on both sides of the aisle apparently agree on two common problems: excessive Federal regulation is unduly burdensome and costly and must be reduced significantly; and that capital formation must be encouraged to allow continued expansion and increased productivity. The approach to these problems is essentially the same. The Federal regulatory agencies will be asked to justify the rules they promulgate, with a careful consideration of the potential impact on small businesses. Small businesses will receive favorable tax treatment and other tax related incentives in the area of capital formation. Faster depreciation, dividend reinvestment, and a deferred capital gains tax are a few methods which have been suggested. The following bills are representative of current Congressional concern:

- Small Business Preservation Act (S.653): Primarily concerned with capital formation, the bill would apply to firms with a net worth of

\$25 million or less and defer capital gains taxes on the profits from the sale of an interest in a small company if the gains were reinvested into another small business within 18 months;

- Small Business Procurement Act of 1979 (HR 291): To provide additional assistance to small business concerns in acquiring procurement information and contracts from the Federal government;
- Small Business Investment Act of 1979 (S.487): Addressing capital formation, this bill would provide investment tax credits for limited investments in certain qualifying new issues of common or preferred stock, provided the total offering was \$25 million or less offered by a corporation with a net equity of less than \$25 million; and
- Small Business Impact Statement Act (HR 1745): Concerned with Federal regulatory activity, the bill would require that all Federal agencies file a small business impact statement at the time they promulgate a rule. In addition to mandatory review of rules which took effect after 1973, the bill would provide for a one-house veto of any rule determined to be adverse to small business.

In a related matter, the Securities and Exchange Commission announced the creation of an Office of Small Business Policy within its Division of Corporate Finance. SEC Chairman Harold Williams stated that this office would assist in the process of easing the problems of capital formation and provide liaison with Congress and its expressed concern with the problems of small business.

For additional information contact:
Steven Woolf, Susan Retter or Teresa Travers
202/872-8190

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